



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

October 19, 2004

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**AMENDMENT NO. 2 TO LEASE NO. 58046
DEPARTMENT OF PUBLIC SOCIAL SERVICES
335 AND 349 EAST AVENUE K-6, LANCASTER
(FIFTH DISTRICT) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Chairman to sign the Amendment No. 2 with Frank A. Visco (Lessor) to shorten the term of Lease No. 58046 and Donation Agreement No. 58048 from May 31, 2014 to the last day of February 2014.
2. Authorize the Chief Administrative Office (CAO) and Department of Public Social Services (DPSS) to reduce deferred maintenance account payments to Lessor effective November 1, 2004, in an amount equal to three percent of the monthly rent, or approximately \$3,603 per month.
3. Authorize the CAO and DPSS to reimburse the Lessor for Tenant Improvements (TI) in an amount not to exceed \$1,530,000, payable in lump sum or amortized over the remaining term of the lease.
4. Find that this lease Amendment No. 2 is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Class 1, Section r of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061 (b) (3) of the State CEQA Guidelines.

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The existing location identified as 335 and 349 East Avenue K-6, Lancaster consists of two buildings. Building 335 houses a total of 13 departments in approximately 50,998 gross square feet of office space. The majority of departments in this building are minor tenants and DCFS is the major tenant occupying approximately 31.73 percent of the total building. Building 349 houses DPSS and the Departments of Mental Health (DMH) and Health Services (DHS) in approximately 51,000 square feet of office space. DPSS is the major tenant/proprietor occupying 86.93 percent of the total building. DMH and DHS occupy 12.60 and 0.47 percent of the building respectively.

Approval of the proposed Amendment No. 2, to Lease No. 58046 will allow the County to shorten the term of the lease from May 31, 2014 to the last day of February 2014. It will also amend Donation Agreement No. 58048, to allow the earlier transfer of title to the County on or before midnight on the first day following the last day of February 2014. The Amendment also provides a reduction in deferred maintenance payments equal to three percent of the monthly rent, or approximately \$3,603. The deferred maintenance account fund balance is approximately \$315,496.

The Department of Children and Family Services (DCFS) will be relocating from 335 East Avenue K-6, Lancaster, to a larger facility at 39335 Sierra Highway, Palmdale in February 2005 and DPSS has agreed to backfill the space vacated by DCFS. The Landlord will provide \$1,530,000 for TI's, amortized at seven percent per annum over a ten-year term and will construct the improvements required by DPSS at the direction of the CAO.

The Department of Public Works (DPW) conducted a deferred maintenance survey of the site and has recommended the roof be reconditioned and the parking area slurry sealed and striped. It is the Landlord's responsibility under the lease to maintain the basic structure and the repairs will be completed using the funds available in the deferred maintenance account. Upon completion of the roof and parking area the County will terminate the Landlord's responsibility under the lease to maintain the basic structure.

The Honorable Board of Supervisors
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As an inducement to the County, the Lessor will do the following:

- Allow the County to shorten the term of the lease from May 31, 2014 to the last day of February 2014, and
- Amend Donation Agreement No. 58048 providing an earlier property transfer which will reduce the term rental cost by approximately \$774,776.
- After completing the roof and parking area work, which is estimated not to exceed \$250,000, the Lessor will reimburse the County the unused portion of the \$315,496 in deferred maintenance funds.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Countywide Strategic Plan directs that we strengthen the County's fiscal capacity (Goal 4). In this case, we have decreased the term of the lease, reduced the term rent and will be reimbursed any unused deferred maintenance funds in accordance with the Strategic Asset Management Principles, as further outlined in Attachment A.

FISCAL IMPACT/FINANCING

The annual base rent cost for the subject facilities will be reduced by three percent to \$1,441,443. The total term rent will be reduced by \$774,776 provided by an earlier transfer of the property under the Donation Agreement. Additional rent will be payable upon completion of TI's at a future date.

335-349 Avenue K-6	EXISTING LEASE	AMENDED LEASE	CHANGES
Area (Square feet)	Approximately 102,531	Approximately 102,531	None
Term	04/31/94 to 5/31/2014	04/31/94 to 2/28/14	3 months less
Current Base Rent	\$1,484,686	\$1,441,443	-\$43,243*
Tenant Improvements	None	\$1,530,000 (\$30.00/sq.ft.)	+\$1,530,000
Maximum 1 st Amended Year Rent	N/A	\$1,654,618**	+\$170,132***
Parking Included in Rent	255 off-street spaces	255 off-street spaces	None
Cancellation	None	None	None
Property Donation	End of Term	End of Term	3 months
Rental Adjustment	None	None	None

* Three percent of the monthly rent, approximately \$3,603

**\$1,530,000 in TI's amortized at seven percent annually over a ten-year term equals monthly payments of \$17,764 or \$213,175 annually.

***The amount of rental increase from the current base rent of \$1,484,686, less the three percent reduction in rent, plus the annual TI reimbursement amortized at 7 percent over a ten-year term.

Sufficient funding for the proposed TI in the lease amendment will be included in the 2005-2006 Proposed Rent Expense Budget and will be charged back to DPSS. Sufficient funding is available in the DPSS operating budget to cover the proposed tenant improvement costs.

The annual lease cost for DPSS is approximately 90 percent subvention funded. The lease cost for all other departments at the premises will reflect the decrease in rent because of the three percent reduction in rental payments.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Lease No. 58046 is a twenty-five year lease agreement providing the County the use of 102,531 square feet of building space known as 335 and 349 East Avenue K-6, Lancaster. The lease provides 255 exclusive off-street parking spaces. The County will acquire the buildings at the termination of the lease by Donation Agreement No. 58048, entered into between the Landlord and the County on July 26, 1988.

The amended lease contains the following provisions:

- Decreases the term of Lease No. 58046 and Donation Agreement No. 58048 from May 31, 2014 to the last day of February 2014.
- Allows the CAO to terminate payments in an amount equal to three percent of the monthly rent, or approximately \$3,603, which amount was placed in an account by Lessor for the purpose of maintaining the basic structure of the Premises at 335 and 349 East Avenue K-6, Lancaster. The County retains responsibility for all utilities, operating and building maintenance costs.
- The County at its sole option may request the Lessor to perform, supply and administer TI and reimburse Lessor for such costs as an additional rent. Lessor's administrative costs, profit and overhead will not exceed a maximum of four percent of the direct costs associated with any TI work.
- Lessor shall provide an allowance for TI costs and/or minor hard construction up to a maximum aggregate total of \$1,530,000, i.e., \$30.00 per rentable square foot. Lessee agrees to reimburse Lessor for all TI costs actually used by Lessee, by amortizing the same over the remaining term of the lease or a ten-year term, whichever is less, at the interest rate of seven percent per annum.
- The County shall at its sole option, request Lessor to provide Insurance (Fire, Liability and Extended Coverage), as long as it meets the requirements of the Lessor's lender and CAO/Risk Management, and may reimburse Lessor for such direct costs as an additional rent.

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CAO Real Estate staff did not survey the program's service area to determine the market rate of comparable sites. The lease is a 25-year lease that extends to 2014 and has no cancellation right. Attachment B shows County-owned and leased facilities within the search area for these programs and none would be available to house these programs if a cancellation of the lease was available.

The DPW has inspected this facility and has recommended that the roof be replaced and the parking lot resurfaced. The Lessor will complete the recommended maintenance items using a portion of available deferred maintenance funds not to exceed \$250,000.

NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT

The CAO has made an initial study of environmental factors and has concluded that this project is exempt from CEQA as specified in Class 1, Section r of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061 (b) (3) of the State CEQA Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

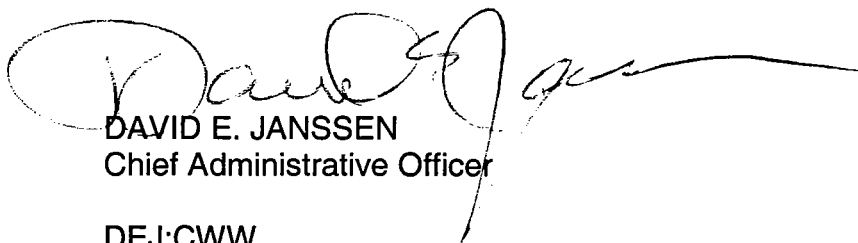
It is the finding of the CAO that the proposed Amendment No. 2 to Lease No. 58048 is in the best interest of the County and will provide for the continued use of the buildings by each of the County departments housed at this location. DPSS concurs with this recommendation.

The Honorable Board of Supervisors
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CONCLUSION

It is requested that the Executive Officer, Board of Supervisors return two originals of the executed Amendment No. 1 to Lease No. 66751, two certified copies of the Minute Order and the adopted, stamped Board letter to the CAO, Real Estate Division at 222 South Hill Street, 4th Floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David E. Janssen", with a long horizontal flourish extending to the right.

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:CWW
CEM:TJS:hd

Attachments (2)

c: County Counsel
Auditor-Controller
Department of Public Social Services

**DEPARTMENT OF PUBLIC SOCIAL SERVICES
335 AND 349 AVENUE K-6, LANCASTER**

Asset Management Principles Compliance Form¹

1.	<u>Occupancy</u>		Yes	No	N/A
	A	Does lease consolidate administrative functions? ²		X	
	B	Does lease co-locate with other functions to better serve clients? ²	X		
	C	Does this lease centralize business support functions? ²		X	
	D	Does this lease meet the guideline of 200 sq ft of space per person? ²	X		
2.	<u>Capital</u>				
	A	Should program be in leased space to maximize State/Federal funding?	X		
	B	If not, is this a long term County program?			X
	C	Is it a net County cost (NCC) program?		X	
	D	If yes to 2 B or C; capital lease or operating lease with a purchase option? The property will be acquired by the County at the end of the lease term by Donation Agreement No. 58048.	X		
	E	If no, are there any suitable County-owned facilities available?		X	
	F	If yes, why is lease being recommended over occupancy in County-owned space?			X
	G	Is Building Description Report attached as Attachment B?	X		
	H	Was build-to-suit or capital project considered? Lessor will donate building to County in 2014.	X		
3.	<u>Portfolio Management</u>				
	A	Did department utilize CAO Space Request Evaluation (SRE)?			X
	B	Was the space need justified?			X
	C	If a renewal lease, was co-location with other County departments considered?			X
	D	Why was this program not co-located?			
		1. ___ The program clientele requires a "stand alone" facility.			
		2. ___ No suitable County occupied properties in project area.			
		3. ___ No County-owned facilities available for the project.			
		4. ___ Could not get City clearance or approval.			
		5. <u>X</u> The Program is being co-located.			
	E	Is lease a full service lease? ² The County is responsible for all cost associated with the building and its occupancy.		X	
	F	Has growth projection been considered in space request? The co-location has maximized use of the existing space.		X	
	G	Has the Dept. of Public Works completed seismic review/approval? DPW has reviewed site and finds no seismic problems.			X
	¹ As approved by the Board of Supervisors 11/17/98				
	² If not, why not?				

Attachment B

SPACE SEARCH - 10 MILE RADIUS OF SERVICE AREAS

LACO	FACILITY NAME	ADDRESS	SQ. FT. GROSS	SQ. FT. NET	OWNERSHIP	SQ. FT. AVAIL
0059	PW Road -Div #551 Maintenance	4859 W Ave L-12 Quartz Hill	1,2501	1,125	OWNED	NONE
D620	Public Library-Quartz Hill	42018 N 50 th St. W., Quartz Hill	3,530	3,291	LEASED	NONE
B636	DPSS Lancaster Office Center	43770 N 15 th Street W, Lancaster	4,020	3,901	LEASED	NONE
A079	Assessor's Regional Office	251 E Avenue K-6, Lancaster	15,338	13,712	LEASED	NONE
A035	Board of Supervisors 5 th District Field Office	1113 W 4 th Street W, Lancaster	1,241	1,164	LEASED	NONE
X511	Antelope Valley Courthouse	42011 4 th St, W, Lancaster	389,000	267,610	FINANCED	NONE
A492	DPSS Lancaster IHSS Annex	43424 Copeland Cir., Lancaster	2,400	2,280	LEASED	NONE
A192	Probation -Antelope Valley Area	321 E Avenue K-4, Lancaster	6,400	6,000	LEASED	NONE
X495	PW Waterworks North Maintenance Area	260 E Avenue K-8 Between K-8 and K-10, Lancaster	13,200	11,150	OWNED	NONE
A125	Lake Los Angeles Library	16921 E Avenue O, Palmdale	3,245	2,921	LEASED	NONE
A125	Lake Los Angeles Clinic	16921 E Avenue O, Palmdale	2,457	2,211	LEASED	NONE
A380	DPSS Antelope Valley CAIN	1050 E Palmdale Blvd., Palmdale	18,795	17,855	LEASED	NONE
A509	Palmdale Courthouse	38256 Sierra Highway, Palmdale	18,528	16,256	OWNED	NONE

**AMENDMENT NO. 2 TO LEASE No. 58046
AND AMENDMENT NO. 1 TO DONATION AGREEMENT NO. 58048
335-349 AVENUE K-6, LANCASTER
PUBLIC SOCIAL SERVICES AND
CHILDREN AND FAMILY SERVICES**

This Amendment No. 2 to Lease is made and entered into this _____ day of _____, 2004, by and between FRANK A. VISCO referred to as "Lessor", and the COUNTY OF LOS ANGELES, a body politic and corporate, hereinafter referred to as "Lessee".

WHEREAS, the COUNTY OF LOS ANGELES, as Lessee, has entered into that certain Lease dated November 3, 1987 as amended July 26, 1988, for land and free standing building office space together with adjacent surface parking for 255 spaces for Lessee's exclusive use located at the northeast corner of Gingham Avenue and Avenue K-6, Lancaster, as legally described in Exhibit "A" attached hereto (the "Land and Improvements"), and,

WHEREAS, the COUNTY OF LOS ANGELES, as Lessee, also entered into that certain Donation Agreement, dated November 3, 1987, referred to as "Donation Agreement" with Lessor (also called Donor) as amended July 26, 1988, for the Donor or his heirs or assigns to execute and deliver a fee simple interest in the Land and Improvements which conveys an unencumbered reversion in the Land and Improvements to Lessee at the end of the Lease, and,

WHEREAS, the parties are now desirous to amend said Lease to decrease the term of the Lease from May 31, 2014 to the last day of February 2014, effective upon approval by the Board of Supervisors, County of Los Angeles, and,

WHEREAS, the parties are now desirous to amend said Donation Agreement No. 58048 to decrease the term of the transfer of the Land and Improvements from May 31, 2014 to the last day of February 2014, effective upon approval by the Board of Supervisors, County of Los Angeles, and,

NOW, THEREFORE, in consideration of the foregoing recitals, which are hereby deemed a contractual part hereof and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and the rents, covenants and agreements herein contained, the Lessor and Lessee hereby agree as follows:

1. **Paragraph 2 TERM**, of the Lease shall be amended by adding the following:

The term of the Lease is hereby decreased such that it shall expire on the last day of February 2014.



INITIALS

2. **Paragraph 9 REPAIR, MAINTENANCE AND REPLACEMENT**, shall be deleted in its entirety and the following shall be added:

Lessee shall upon commencement of Amendment No. 2 to Lease 58046 terminate payment of an amount equal to three percent (3%) of the monthly rent, approximately \$3,603.61, which had been deposited by Lessor into an interest bearing account specified by Lessee to be maintained by Lessor for the purpose of maintaining the basic structure and for repairing latent defects if any as defined in Paragraph 9a. Additionally, all funds from this account, amounting to \$315,496.70, less an amount not to exceed \$250,000 which will be used to perform approved deferred maintenance, shall be returned to the Lessee, County of Los Angeles by the Lessor, Frank A. Visco. Should Lessor fail to return said funds within thirty (30) days commencement of this Amendment No. 2, Lessee, at its sole option may declare this Amendment No. 2 to Lease No. 58046 null and void.

Lessee also agrees to keep in good repair, replace and maintain at Lessee's own expense the basic structure during the remaining term of the lease. "Basic structure" is agreed to include: the foundation, roof, sub-flooring, concrete floor slab, bearing and exterior walls, concealed plumbing, sewer lines, electrical lines, electrical systems, elevator, including shaft and pit. Lessee further agrees to and pay for all repair and maintenance of the grounds, landscaping, lamps and tubes, exposed and concealed plumbing, painting, fire sprinkler system, floor covering and window coverings, ceilings, janitorial services and supplies, security and trash removal and other repairs of a structural and non-structural nature.

Notwithstanding any provisions of this Agreement to the contrary, Lessee at its sole option, acting through the CAO, may request the Lessor to perform, supply and administer any such repairs and replacement listed above and reimburse Lessor for such costs as an additional rent. Lessor agrees that his administrative costs and profit and overhead will not exceed a maximum of four percent (4%) of the direct costs associated with such repairs and maintenance work.

3. **Paragraph 17 INSURANCE**, shall be amended by deleting Paragraph 17A and Paragraph 17B. 1.a. and 1.b. and Paragraph 5 and the following shall be added:

Lessee, acting through the CAO, shall at its sole option, request Lessor to provide Insurance (Fire, Liability and Extended Coverage), as long as it meets the requirements of the Lessor's lender and CAO/Risk Management, and may reimburse Lessor for such direct costs as an additional rent.

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4. Paragraph 30 TENANT IMPROVEMENTS of the Lease is hereby added as follows:

Lessee at its sole option, acting through the CAO, may request the Lessor to perform, supply and administer additional tenant improvements and reimburse Lessor for such costs as an additional rent. Lessor agrees that his administrative costs and profit and overhead will not exceed a maximum of four percent (4%) of the direct costs associated with such repairs and tenant improvements. Additionally, Lessor shall provide an allowance for Tenant Improvements costs and/or minor hard construction. Lessee may authorize Lessor after review of estimates and written approval of the Chief Administrative Officer or his designated representative to pay for tenant improvements up to a maximum aggregate total of \$1,530,000, i.e., \$30.00 per rentable square foot. Lessee agrees to reimburse Lessor for all Tenant Improvement costs actually used by Lessee, by amortizing the same over the remaining term of the Lease or a ten year term, whichever is less, at the interest rate of seven percent (7%) per annum. The Lessee may at anytime during the Lease term pay Lessor, or his designee, all or any portion of the Tenant Improvement cost without penalty and reduce the rental rate accordingly. Lessor will notify Lessee of the tenant improvement final cost, and the amount payable monthly by Lessee in addition to the rent. For purposes of ascertaining the actual cost of said tenant improvements, Lessor shall provide to Lessee, a detailed breakdown of the total costs of constructing the tenant improvements and execute a summarized breakdown of the total costs of the tenant improvements with the right to audit these costs for a period of twenty-four months from the date of completion and acceptance by Lessee of the tenant improvements.

5. Paragraph 31 LIMITATION OF AUTHORITY of the Lease is hereby added as follows:

Only the Board of Supervisors has the authority, by formally approving and/or executing this Lease, to bind the County to the terms included herein. Lessor understands that no material terms of the Lease may be altered or deleted, nor may any new material terms be added to the Lease, without the express written approval of the Board of Supervisors, either through an amendment to the Lease or by other formal Board action.

No County officer, employee, agent, or independent contractor has any authority to alter, add or delete the material terms of this Lease; and Lessor may not rely upon any representations to the contrary.

This limitation of authority applies to all material terms of the Lease including, without limitation, any monetary ceiling established for tenant improvements or other project costs of Lessor which are subject to reimbursement by County. **County shall not reimburse Lessor for any expenses which exceed this ceiling.**



7. All other terms and conditions of the Lease shall remain the same and in full force and effect.



IN WITNESS WHEREOF, the Lessor has executed this Amendment or caused it to be executed, and the County of Los Angeles by order of its Board of Supervisors, has caused this Amendment to be executed on its behalf by the Chairman of said Board and attested by the Clerk thereof the day, month, and year first above written.

LESSOR

By: FRANK A. VISCO

By: 

Frank A. Visco

ATTESTED:

VIOLET VARONA-LUKENS

Executive Officer-Clerk
of the Board of Supervisors

By:

Deputy

LESSEE

COUNTY OF LOS ANGELES

By: _____

Chairman, Board of Supervisors

APPROVED AS TO FORM:

OFFICE OF COUNTY COUNSEL

By: 

Principal Deputy, Frank Scott

EXHIBIT A

LEGAL DESCRIPTION

LAND AND IMPROVEMENTS

Tract No. 32548/M.B. 968-1-5

Lots 41, 42, 43, 45, and 46, representing 7.14 acres
in the City of Lancaster, County of Los Angeles

also known as 335-349 E. Avenue K-6, Lancaster, California



EXHIBIT B

PERMITTED EXCEPTIONS TO TITLE



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